BC OIL AND GAS COMMISSION

2014/15 - 2016/17
SERVICE PLAN

BRITISH COLUMBIA

BC Oil & Gas COMMISSION

MESSAGE FROM THE CHAIR
TO THE MINISTER OF NATURAL GAS DEVELOPMENT

I am pleased to present the 2014/15 – 2016/17 Service Plan for the BC Oil and Gas Commission (Commission) on behalf of the Board of Directors and all employees. The Commission's vision to be the leading oil and gas regulator in Canada is fitting as B.C. pushes to be an economic leader through the development of a Liquefied Natural Gas (LNG) industry. With at least 12 proposals currently, this opportunity is expected to create over $1 trillion of economic activity over the next 30 years. The Commission will continue to actively support the province's Jobs Plan, Natural Gas Strategy and LNG Strategy through 2014/15. The Commission plays a critical role in ensuring a robust regulatory presence and efficient permitting processes while continuing to build relationships with partner ministries, First Nations, communities and industry.

The Commission is in the midst of a Business Transition Strategy that includes electronic acceptance of permitting applications and associated fees, electronic submission of operational data required of permit holders and an electronic records management system. These improvements will make sure any increased permitting activity due to LNG investment decisions can be handled efficiently within target timelines.

A new Emergency Management Regulation will come into effect in the fall 2014, strengthening safety procedures throughout the petroleum and natural gas sector. This new regulation will ultimately be strengthened through the development of a sector specific national standard for emergency management currently under development by the Canadian Standards Association with the support of the Commission and other Canadian regulators. At the same time, further enhancements are planned to ensure the most effective, efficient and transparent regulations for this important aspect of protecting public safety.

Working relationships with First Nations continue to be developed throughout the province where oil and gas activities take place, or are contemplated, while negotiations and implementation of new Consultation Process Agreements with Treaty 8 First Nations continue.

The Commission's experts will continue to enhance the award winning Northeast Water Tool (NEWT) that provides decision makers, industry and the public with information on actual flows, existing water use approvals for all industrial purposes and water available for incremental use subject to maintaining environmental flows. Quarterly and annual water reporting continue to provide even more detail on water use and will benefit through partnership with the Ministry of Environment. In addition, the Commission will continue to enhance environmental management and protection to ensure resource values affected by oil and gas development are sustainable for future generations.

The 2014/15 - 2016/17 Service Plan outlines the strategic priorities of the Commission as it continues to regulate petroleum and natural gas activities for the benefit of British Columbians by protecting public safety and conserving the environment. There is continued national and international interest in the Commission's single-window regulatory model. The performance measures contained in this plan support the strategic direction of the organization and the corresponding targets represent an extensive review of the operating environment, risk analysis and past performance.

This Service Plan was prepared under the direction of the Board of Directors in accordance with the Budget Transparency and Accountability Act and the BC Reporting Principles. The plan is consistent with the government's fiscal plan and strategic priorities expressed in the BC Jobs Plan, Natural Gas Strategy, LNG Strategy, and the

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Government's Letter of Expectations. To the best of our knowledge the significant assumptions, policy decisions, events and identified risks are current and have been considered in preparing this plan.

The Board is accountable for the contents of this plan and the way it has been communicated. The Board is also responsible for ensuring corporate performance is measured and results are reported accurately and in a timely fashion.

Steve Carr

Board Chair
BC Oil and Gas Commission

Organizational Overview

The Commission's mandate is set out in legislation through the Oil and Gas Activities Act (OGAA) and that legislative mandate is reflected in the organization's Mission statement. The Commission is the provincial, single-window regulatory agency with responsibilities for regulating oil and gas activities in B.C., including exploration, development, pipeline transportation and reclamation.The Commission's core roles include reviewing and assessing applications for industry activities, consulting with First Nations, ensuring industry complies with provincial legislation and partnering with other responsible agencies. The public interest is served through protecting public safety, conserving the environment and ensuring equitable access to natural gas and petroleum resources. To view this enabling legislation, visit the Commission's website at www.bcogc.ca.

Since its inception as a service delivery Crown corporation, the Commission has administered a single-window model for permitting oil and gas exploration and development, and ensuring compliance with permit conditions and applicable regulations. This model has put B.C. in a favourable position and has supported effective and efficient regulatory processes. The single-window approach was strengthened by OGAA, which updated and consolidated various acts and regulations, while continuing the Commission's regulatory authority with respect to oil and gas activities under the Environmental Management Act, Land Act, Water Act, Heritage Conservation Act, and Forest Act.

As a regulator, the Commission considers and takes into account the diverse interests of First Nations, and multiple stakeholder groups. The Commission has developed a long-term relationship with Treaty 8 First Nations and continues to interface and build working relationships with First Nations communities in all areas of the province where oil and gas activities take place or are contemplated. Numerous delegated authorities, working agreements and memoranda of understanding form the basis for representing the interests of partner government agencies, along with work on major government interagency teams. The Commission is proud of its open relationship with industry, based on mutual respect and responsiveness. With proposed LNG developments on the horizon, the Commission has taken a proactive approach to ensure major projects are effectively regulated and the necessary expertise and training is available to ensure public safety.

At the same time, it has been expanding outreach to First Nations, rights holders and communities beyond northeastern B.C., where the majority of oil and gas activities take place.

The Commission recognizes its employees as a principal stakeholder group and is committed to supporting their continuous professional development and to providing a healthy work environment. Employees operate out of five locations – Victoria, Fort St. John, Dawson Creek, Fort Nelson and Kelowna, with the largest number of staff concentrated in Fort St. John and Victoria. The offices in Fort Nelson and Dawson Creek ensure the Commission's presence in communities near the Horn River Basin and Montney Play respectively. Recognizing the need for a Commission presence in all areas of the province, a complement of staff has been established in Kelowna, and a presence has been introduced in the northwest through regional staff placement. The areas of primary oil and gas activities are shown on page 5 along with the Commission's office locations.

Action planned on climate change and carbon neutrality initiatives in 2014/15

The Commission recognizes the importance of limiting emissions produced by its day-to-day actions in regulating the natural gas and oil industry in B.C.

The Commission continues to focus on its two-pronged approach to carbon reduction corporately: fleet, building and paper use, as well as encouraging green behavioural changes in staff. One such green initiative underway is the move to the new LEED® gold office in Fort St. John.

The orientation of the building will initfamiliarize employees with the green and waste reduction options the space has to offer and allow the office with the largest number of employees to take advantage of emission reduction opportunities.

COMMISSION MANDATE

Section 4 of the Oil and Gas Activities Act

The purposes of the Commission include the following:

(a) to regulate oil and gas activities and pipelines in British Columbia in a manner that:

(i) provides for the sound development of the oil and gas sector, by fostering a healthy environment, a sound economy and social well-being,

(ii) conserves petroleum and natural gas resources,

(iii) ensures safe and efficient practices, and

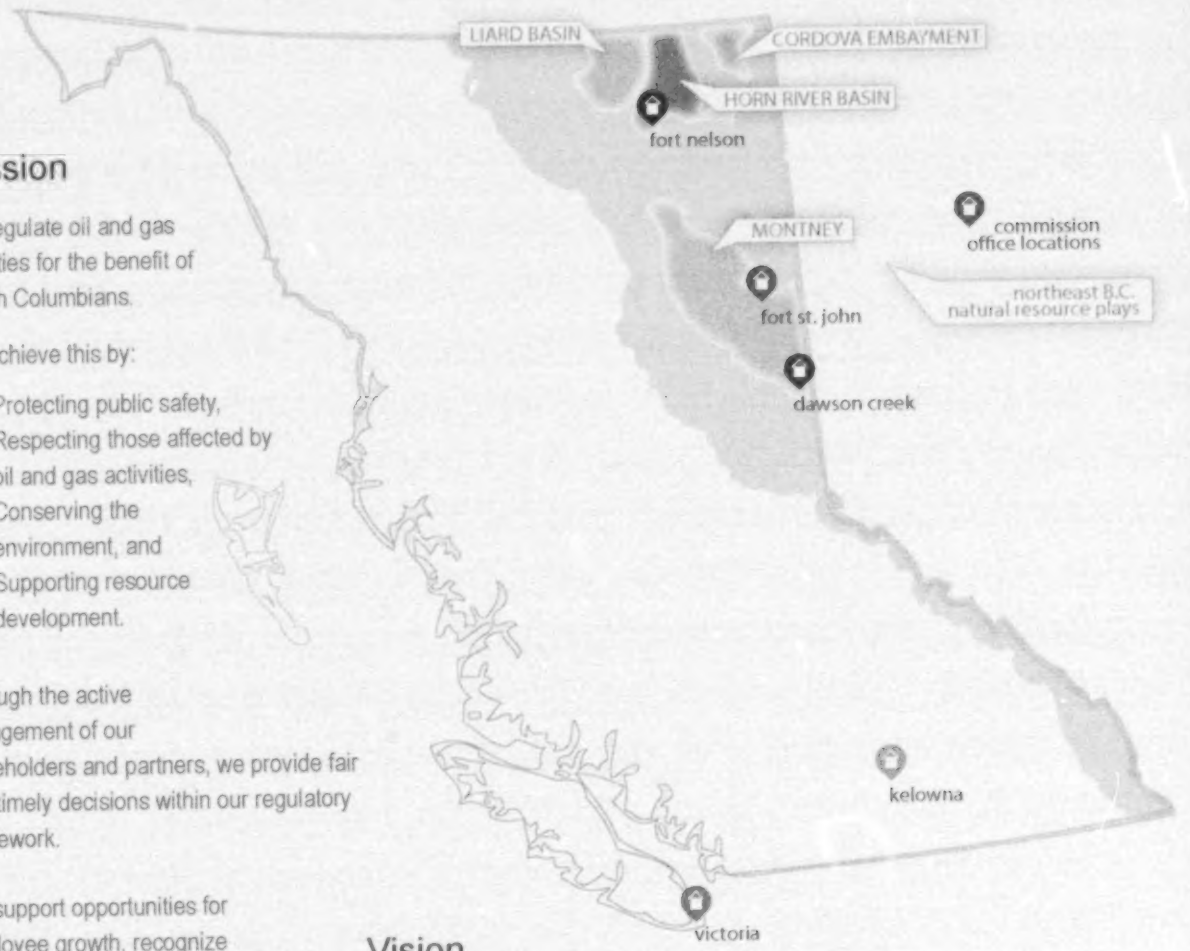
(iv) assists owners of petroleum and natural gas resources to participate equitably in the production of shared pools of petroleum and natural gas;

(b) to provide for effective and efficient processes for the review of applications for permits and to ensure that applications that are approved are in the public interest having regard to environmental, economic and social effects;

(c) to encourage the participation of First Nations and Aboriginal peoples in processes affecting them;

(d) to participate in planning processes;

(e) to undertake programs of education and communication in order to advance safe and efficient practices and the other purposes of the Commission.



Mission

We regulate oil and gas activities for the benefit of British Columbians.

We achieve this by:

- Protecting public safety,
- Respecting those affected by oil and gas activities,
- Conserving the environment, and
- Supporting resource development.

Through the active engagement of our stakeholders and partners, we provide fair and timely decisions within our regulatory framework.

We support opportunities for employee growth, recognize individual and group contributions, demonstrate accountability at all levels, and instill pride and confidence in our organization.

We serve with a passion for excellence.

Vision

To be the leading oil and gas regulator in Canada.

Values

Respectful	Efficient
Accountable	Responsive
Effective	Transparent

COMMISSION CORE SERVICES

Protecting public safety.

Review, assessment and determination of oil and gas applications for permits or authorizations under Commission jurisdiction related but not limited to:

- Wells.
- Pipelines.
- Geophysical activities.
- Oil and gas roads.
- LNG Plants and other facilities.

Corporate services related to asset transfers, amalgamations, and Crown land surface tenure.

Assurance of industry compliance with applicable laws and regulations and permit-specific requirements through audit, inspection, enforcement and incident investigation activities.

Resource conservation and production monitoring and measurement.

Stewardship through environmental management and protection to ensure resource values affected by oil and gas development are sustainable for future generations. Consultation and information sharing with First Nations on oil and gas activities.

Liaison with other provincial and federal government agencies in ensuring effective delivery of government policy, improved regulatory climate and cohesive application of existing regulations.

Community and landowner support through education, public engagement, mediation and dispute resolution.

Organizational Structure

The Commission is made up of four divisions, designed to meet its legislative mandate and the operational realities inherent in regulating the oil and gas industry. These include the Office of the Commissioner; Operations; Engineering; and, Corporate Services. Statutory decision-making authority is vested in the Commissioner who also serves as the Chief Executive Officer. The Commissioner delegates decision-making authority to staff members in Operations and Engineering led respectively by the Chief Operating Officer and Chief Engineer. Regulatory specialists led by the Chief Legal and Regulatory Officer provide support by interpreting regulations and ensuring consistency and effectiveness of the regulatory framework. A Corporate Services Division under the Chief Financial Officer provides financial management, information technology services, human resource management, facilities management, and corporate property administration for the entire organization. The specific departments and the core responsibilities of each division are described on page 7.

In addition to core services, the Commission provides a support role in the implementation of the independently managed Science and Community Environmental Knowledge (SCEK) Fund, which supports and facilitates research concerning practical ways of addressing environmental and social issues related to oil and gas exploration and development in B.C.

The Commission is also responsible for the Orphan Site Reclamation Fund (OSRF), established in 2006, which is funded through a tax on production. The OSRF is used to pay the cost of reclaiming abandoned well sites, test holes, production facilities and pipelines at sites where no responsible operator can be found. Priority is given to orphan sites on private land to alleviate the burden on the landowners who are unable to use the land.

OFFICE OF THE COMMISSIONER

Legal and Regulatory	Legal Services Regulatory Initiatives Regulatory Support Strategic First Nations Relations Integrated Risk Management Corporate Governance Internal Audit
Corporate Affairs	Internal and External Communications Government Relations Strategic and Business Planning Corporate Reporting
Executive Coordination	Executive Administrative Support Correspondence Management Event Planning
Business Transition Project Management	Management of Business Systems Transition Projects

ENGINEERING

Drilling and Production	Public Reporting Well Integrity Programs Operations Support Data Collection Standards and Technical Requirements Programs
Pipelines and Facilities	Pipeline Application Engineering Review Pipeline Permit Revision and Amendment Facility Application Review and Determination Facility Permit Revision and Amendment Integrity Management Program Audit (pipeline) Integrity Management (facility) As-built Audit and Review Operations and Industry Technical Support Public Reporting Standards and Technical Requirements Programs
Field Engineering and Technical Investigations	Engineering Failure Investigation Technical Support to the Legal and Regulatory Department Public Reporting and Inter-Agency Collaboration Environmental Liability Staff technical training Asset Integrity and Retirement Compliance and Enforcement Support to Operations Engineering
Reservoir Engineering	Reservoir Production Project Approval and Amendment Deep Disposal Well Approval and Compliance Hydrocarbon Reserves Calculation and Publication Well Completion Data and Compliance Well Testing Program Production Allowable Program

OPERATIONS

Permitting and Authorizations	Application Screening and Processing Regional Operations Project Level First Nations Consultations First Nations Relations Archaeology Corporate Land Management Oil and Gas Tenure and Asset Management
Community Relations	Community Relations Landowner Support
Operations Engineering	Compliance and Enforcement Waste Management and Reclamation Site Reclamation and Remediation Emergency Management and Public Safety
Resource Development and Geology	Petroleum Geology Major Projects Stewardship Geographic Information Systems

CORPORATE SERVICES

Finance and Administration	Financial Planning and Accounting Corporate Property and Administration Records Management Core Research Centre Management
Human Resources and Organizational Development	Recruitment Payroll and Benefits Employee Engagement Workplace Wellness Learning and Development Leadership Effectiveness Strategic Workforce Planning Employee Performance Management Collective Bargaining and Labour Relations Occupational Health and Safety
Information Technology	Information Technology and Infrastructure Business and Information Systems Web Development
Operations Analysis	Business Intelligence Process Improvement and Documentation

Core samples from the Montney Basin in Northeast B.C.

BOARD OF DIRECTORS

Steve Carr, Deputy Minister, Ministry of Natural Gas Development (Chair)
Paul Jeakins, Commissioner and Chief Executive Officer, BC Oil and Gas Commission (Vice Chair)
John Jacobsen, Independent Member, appointed by the Lieutenant Governor in Council

AUDIT COMMITTEE

Responsible for financial reporting and disclosure, risk management, and compliance with applicable laws, regulations and government policy.
Arn van Iersel, Board Consultant and Chair of the Audit Committee
Doug Wilkes, Board Consultant
Al Hurd, Board Consultant

HUMAN RESOURCES COMMITTEE

Responsible for executive appointment, performance, succession and compensation, and for trade union negotiations and compensation structure.
John Jacobsen, Independent Member, appointed by the Lieutenant Governor in Council, and Chair of the Human Resources Committee
Doug Wilkes, Board Consultant
Al Hurd, Board Consultant

REGULATORY COMMITTEE

Responsible for legislation and regulation matters, policies, procedures and systems appropriate for an effective regulatory framework.
Vacant, Chair of the Regulatory Committee
Paul Jeakins, Commissioner and Chief Executive Officer, BC Oil and Gas Commission
Neal Norman, Board Consultant

EXECUTIVE TEAM MEMBERS

Paul Jeakins – Commissioner and Chief Executive Officer
Ken Paulson – Chief Operating Officer
Randall Smith – Chief Financial Officer
Mayka Kennedy – Chief Engineer
Trevor Swan – Chief Legal and Regulatory Officer

Corporate Governance

A Board of Directors governs the Commission by setting strategic direction, ensuring organizational performance is in line with strategic priorities, and establishing appropriate accountability and transparency mechanisms. Under OGAA, the Deputy Minister of Natural Gas Development is Board Chair, the Commissioner is Vice Chair, and a third independent member is appointed by the Lieutenant Governor in Council. The Board approves the Commission's budget, Service Plan, and Annual Service Plan Report. Under OGAA, the Board has the powers to make regulations respecting aspects of carrying out oil and gas activities. Governance principles and practices are described in the Board's Mandate and Charter and are disclosed on the Commission website at www.bcogc.ca.

Assisted by a group of expert consultants, the Board factors corporate risks into the strategic planning process. Integrating risk management and strategic planning ensures the Commission's long term objectives take into consideration direction from government, stakeholder needs, and optimal resource allocation. Board consultants further contribute to Commission governance by serving on the board committees.

The Commission's governance policies and practices comply with the Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations (Best Practice Guidelines) issued by the Board Resourcing and Development Office (BRDO). The Commission's accountability framework is consistent with the accountability requirements established for provincial Crown corporations. Its policy direction is derived from the Government's Letter of Expectations and is aligned with government's strategic priorities. Accountability is delivered through three-year service plans issued every year, quarterly reports on financial performance, and the Annual Service Plan Report summarizing achievements during the year and comparing performance results to service plan targets.

Strategy implementation and management of day-to-day operations are the responsibility of the Commissioner, the executive and the senior leadership team.

Strategic Context

The Commission's strategy is derived from its external operating environment, its legislated mandate and its Mission, Vision and Values. Elements of the external operating environment that influence the Commission are developments in the oil and gas sector, consultation agreements and relationships with First Nations, multiple and competing stakeholder interests and provincial direction.

Oil and gas activity is an important component of B.C.'s economy. The northeast region of the province is part of the Western Canadian Sedimentary Basin, which extends from Manitoba into the Northwest Territories. B.C. accounts for approximately 25 per cent of Canadian production of natural gas. Currently, B.C.'s natural gas production is at 1.3 trillion cubic feet (Tcf) of marketable natural gas per year. Established hydrocarbon reserves continue to increase, with shale gas reserves in particular signifying a large potential for further development.

The continued natural gas production growth in the province is largely due to development of shale and tight gas in northeast B.C., with the vast majority of wells drilled targeting unconventional formations.

Responding to complex and often competing economic, environmental and social priorities driving the oil and gas industry, the Commission maintains a modern and robust regulatory framework and proactively looks for innovative solutions for continued safe and sustainable oil and gas development in the province. In accordance with its mandate, the Commission strives to deliver fair and timely decisions on proposed projects while providing effective and comprehensive oversight of operational safety and environmental protection.

It is of key strategic importance for the Commission to stay fully apprised of the latest technological breakthroughs, and independent world-wide scientific research on possible industry effects on human health, social structures, climate, environmental and cultural values. The Commission continues to deepen and share its knowledge of B.C.'s hydrocarbon resources and the local effects of oil and gas development so that informed decisions can be made in the best interests of all British Columbians.

The Commission's strategy is aligned with provincial social and economic priorities and Government's Natural Gas Strategy and LNG Strategy. As a responsible and accountable regulator, the Commission is fulfilling its oversight role with respect to natural gas and LNG development by strengthening its internal capacity to provide expert and timely services to industry and to the numerous stakeholders whose interests the Commission represents in the regulatory process. A strong organizational capacity also ensures thorough oversight of permitted activities to ensure public safety.

Provincial direction is derived from the Government's Letter of Expectations (Letter), which is an agreement between the Commission and its sole shareholder, the Government of British Columbia, on corporate mandate, strategic priorities, and performance expectations. The Letter ensures alignment of the Commission's activities with overarching provincial goals and provides specific directions to the Commission. It is reviewed annually and is the basis for the preparation of the Service Plan. The most recent Letter can be viewed on the Commission's website at www.bcogc.ca.

The Commission's strategic planning cycle is linked to a thorough, formal risk analysis process to make sure potential risks and opportunities facing the organization are reviewed and mitigation strategies are integrated into the strategic and operational business plans. The most significant risks and opportunities influencing the Commission's operating environment and its ability to achieve the strategic and operational objectives of the organization are discussed as "Drivers". Also discussed in the Drivers section are actions through which the Commission plans to mitigate, manage and, in some cases, take advantage of such risks and opportunities.

DRIVER

Government's Letter of Expectations for 2014/15

Specific Government Direction

Support the BC Jobs Plan, and British Columbia's Natural Gas Strategy and LNG Strategy and the specific actions pertaining to the Commission from those strategies.

Work with government to continue to develop and improve operational regulations to ensure B.C. maintains a safe, effective and competitive regulatory framework.

Collaborate and maintain dialogue with the Ministry of Natural Gas Development, other government agencies, professional organizations and learning centres to ensure an informed and coordinated approach to oil and gas development.

Continue to support the development of the northeast BC Shale Gas Hydraulic Fracturing Water Strategy identified within the Natural Gas Strategy, and the Northeast BC Water Stewardship Plan led by the Ministry of Environment and Ministry of Forests, Lands and Natural Resource Operations.

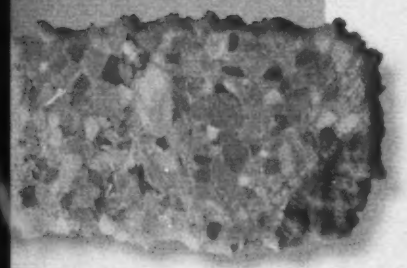
Planned Actions

The Commission strategy described in this Service Plan sets concrete objectives and actions in support of the provincial Natural Gas Strategy and the LNG Strategy. Specifically, see the strategic drivers on North American and Global Natural Gas Markets, Natural Gas Strategy and LNG Strategy and Major Projects. Strategic Objective #5, Optimize the Commission's Expertise and Processes Pertaining to the Regulation of LNG and Associated Major Projects, directly supports the provincial strategies.

The Commission follows a systematic approach for identifying issues in the oil and gas regulatory framework and for improving the effectiveness and efficiency of oil and gas regulations. A number of regulatory changes are identified, assessed and, if feasible, implemented every year. For more information, see the Regulatory Trends driver and Strategic Objective #1.

The Commission continues to build relationships, formal and informal information sharing agreements with partner ministries, agencies and universities throughout the province.

See specific actions under the Regulatory Trends and Stewardship strategic drivers.



Northeast B.C. natural gas play core sample

DRIVER

North American and Global Natural Gas Markets

Potential Influence

The increasing viability of resource extraction through technological advancements has resulted in an abundance of natural gas available to the North American market. With demand staying relatively stable, the production of these considerable and accessible hydrocarbon reserves continue to depress the commodity price of natural gas.

Significant hydrocarbon reserve discoveries in the U.S. will eventually lead to diminishing imports from Canada. In this saturated market, large companies operating in both Canada and the U.S. are looking to new overseas markets to maintain or increase production.

Internationally, growing economies such as China, Korea, Japan and India have seen demand for natural gas increase. With the average price for 1,000 cubic feet of natural gas hovering around $4 in North America—versus $16 in Asia—Asian markets represent an opportunity for the B.C. natural gas sector. To capture that opportunity, the province is looking to develop a new LNG industry which makes overseas transportation possible.

Unless an outlet for B.C. natural gas is found either domestically or through overseas exports, natural gas production in the province could be affected, causing a significant loss of economic activity, jobs and revenue to the province. For the Commission, this will mean reduced funding and decreasing capacity to effectively regulate existing oil and gas infrastructure.

Planned Actions

There are a number of actions that have been initiated in previous service plans and will continue throughout the period of this plan.

Closely monitor North American and global supply and demand patterns and forecasts, and evaluate potential impacts on Commission business lines.

Increase the efficiency of the permitting processes to ensure B.C. is an attractive oil and gas investment jurisdiction.

Monitor other oil and gas jurisdictions for best practices and lessons learned.

Implement best practices and policies.

Optimize organizational structure and workforce to respond effectively to changes in the operating environment.

Northeast B.C. natural gas play core sample

DRIVER

Provincial Strategies for Natural Gas and LNG

Potential Influence

Building on the foundation of the BC Jobs Plan, the province released its Natural Gas Strategy supplemented by a strategy for LNG as the newest industry in B.C. envisioning LNG exports to global markets by 2020.

LNG is natural gas cooled down to -160C. At this point the gas is in liquid state and takes 600 times less space for storing and shipping. While the Commission currently regulates two operating LNG storage facilities, the proposed liquefaction processing will take place at complex LNG facilities situated next to export terminals. Shipping is by special LNG tankers. At this time there are at least 12 proposals in their planning stage for LNG facilities on the B.C. coast.

Pipelines are also proposed to supply gas to the LNG facilities from the rich northeastern B.C. plays.

The Commission is currently assessing applications for various aspects and segments of these pipelines.

The size and complexity of these LNG projects requires strong collaboration with other federal and provincial agencies. New and expanded workforce competencies and updates to applicable regulations will assist the Commission in meeting its mandate for LNG development and public safety.

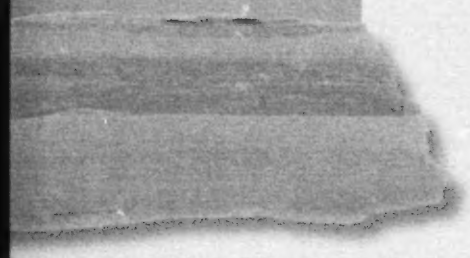
LNG facilities and pipeline development are time sensitive if B.C. is to win a share of the world LNG market.

Planned Actions

Continue to coordinate permitting with other responsible agencies, including opportunities for optimizing the single-window regulatory model for the efficient and effective review of applications and oversight of permitted LNG facilities and associated major projects.

Thoroughly review all applicable laws, regulations and authorities and address any identified issues to ensure the regulatory framework is comprehensive and upholds high standards for public safety and environmental protection.

Continue to develop recognized professional and technical expertise and processes for effectively regulating LNG facilities and associated major projects. See more actions under Major Projects and Organizational Capacity.



Northeast B.C. natural gas play core sample

DRIVER

Major Projects

Potential Influence

The abundance of natural gas in B.C.'s northeast and the province's geographic location have prompted proposals for major development projects throughout B.C. For the most part, these projects involve the transporting, processing, and exporting of natural gas and oil resources.

A proposed activity is designated a major project if it satisfies some or all of the following criteria:

- Requires jurisdictional coordination amongst multiple government agencies.
- Involves an environmental assessment.
- Is of considerable size and duration.
- Necessitates cross divisional participation by a variety of experts within the Commission.

The Pacific Trail Pipeline, the Kitimat LNG facility and the Vancouver Airport Fuel Delivery Project are current major projects of the Commission.

Major projects span the entire province and their scope results in increased interface with multiple First Nations, rights holders and other stakeholders. These major projects are often reviewed concurrently with the Environmental Assessment Office (EAO) and are always required to satisfy environmental and public safety standards.

LNG facilities and associated pipelines mentioned above in the LNG strategy driver represent major projects that are expected to be in the regulatory spotlight for the next five to seven years. By regulating these projects, the Commission supports a unique opportunity for the province while simultaneously managing numerous risks stemming from the development of a new industry.

Planned Actions

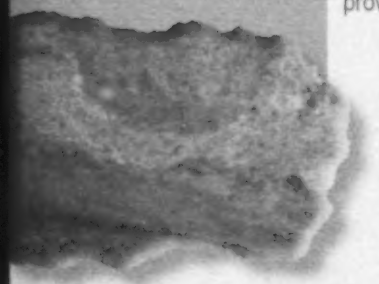
Continue the Commission's information outreach and service delivery throughout the province to ensure First Nations, landowners, rights holders, and all those affected by oil and gas activities understand the opportunities to participate in regulatory processes.

Continue to seek early collaboration and build memorandums of understanding (MOUs) with partner agencies to drive efficient and effective joint federal/provincial reviews where necessary.

Consult and proactively engage with First Nations whose traditional territories may be affected by proposed major projects.

Clearly identify and pursue the knowledge, skills, competencies and organizational structure to effectively regulate these projects.

Build and apply Commission knowledge and experience for the regulatory lifecycle of LNG facilities and associated major infrastructure projects.



Northeast B.C. natural gas play core sample

DRIVER

Stewardship

Potential Influence

Natural gas and oil development in B.C. occurs primarily in shale and tight gas formations in the Horn River, Liard, Montney and the Cordova Embayment located in the northeast. Unconventional shale gas extraction uses horizontal drilling technologies from multi-well pads in these areas allowing for better coordination of access and management of surface effects.

OGAA and associated regulations increase the Commission's ability to manage the effects of oil and gas activities on the environment and other resource values. Involvement of Commission employees on a variety of basin specific and subject matter teams, committees and working groups help support the work led by ministries and partner agencies to manage the potential effects of oil and gas development on environmental and other resource values.

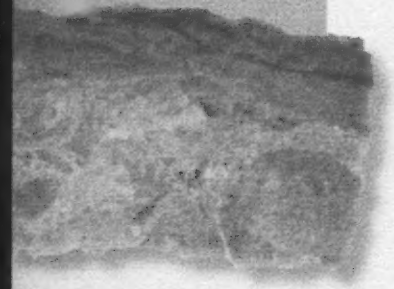
Proposed major projects will move activity out of northeastern B.C. into areas unfamiliar with oil and gas development. See the Major Projects driver for specific actions pertaining to these projects.

Economic challenges for operations create potential scenarios where some organizations become insolvent. In addition, there is a trend of increasing inactive well sites awaiting reclamation as the industry matures. Delays in the implementation of restoration activities may increase the number of inactive sites and associated liabilities.

There is increased public interest in potential health effects from oil and gas development, specifically from noise, traffic, dust, air quality and hydraulic fracturing.

There is an increased public and stakeholder interest in the potential environmental and social effects from oil and gas development, especially in relation to cumulative effects management, environmental mitigation, and hydraulic fracturing.

Water use in shale gas extraction continues to be of particular interest to stakeholders. The Commission has implemented a regulatory requirement for companies to disclose the ingredients, combination and concentration of chemicals in hydraulic fracturing fluids used at each well where the technique is performed. As of January 1, 2012, the data is collected and made publicly available through an online chemical disclosure registry at www.FracFocus.ca.



Northeast B.C. natural gas play core sample

Planned Actions

Continue the development of area based analysis for determination of cumulative impacts on specified valued components within northeast B.C., and commence implementation for geographically defined areas of the province beginning with the Liard Basin and then moving to the balance of northeastern B.C.

Improve B.C.'s resource estimates by completing assessments, in collaboration with the Ministry of Natural Gas Development, of the Montney Play, the Liard Basin and other significant areas.

Refine reserves methodology and reporting of natural gas, oil and condensate associated with unconventional regional fields, and conduct research and regulate for optimal production recovery.

Develop strategies, tactics, information and tools used to manage the potential effects of oil and gas development on environmental and other resource values.

Develop operational policies and procedures ensuring consistent application of government's environmental objectives in decision making.

Collaborate with government in delivering plans related to species at risk.

Continue to strengthen the Liability Management Rating Program to ensure operators carry the financial risk of asset retirement. Outstanding financial risk is addressed through the Orphan Site Reclamation Fund, which covers the reclamation costs at sites where no responsible operator can be found. Furthermore, the Commission actively monitors environmental liability across the province to evaluate the progress of site restoration.

In collaboration with the Ministry of Natural Gas Development, identify, evaluate and provide the geological and hydrological context for surface, subsurface and deep saline water resources in northeast B.C.

Conduct regional, basin-scale studies directed at enhancing the understanding of the geological framework that hosts B.C.'s oil and gas resources.

Continue contributing through multi-agency working groups to caribou management strategies.

Continue to improve and expand the number of provincial jurisdictions using the www.FracFocus.ca registry to ensure it provides public disclosure of ingredients injected into the subsurface for natural gas development.

Collaborate with the Ministry of Environment and others to enhance water quality and quantity monitoring in northeast B.C., and to establish an enhanced air quality monitoring capacity in northeast B.C.

Further manage B.C.'s water resources by supporting development of the comprehensive Northeast B.C. Water Strategy.

Partner with universities to ensure the best research is available on matters critical to oil and gas development.

DRIVER

Organizational Capacity

Potential Influence

Organizational capacity remains a key strategic driver for the Commission. To maintain long-term strategic focus, the Commission works daily to secure a highly professional and adaptable workforce, modern business systems and infrastructure.

The rising complexity of development applications, the fast pace of technological innovations and new major projects across B.C. including LNG proposals have highlighted more than ever an increased need for professionally designated technical experts. While the Commission has the capacity to meet its mandate, attracting and retaining these experts remains challenging as the Commission competes against industry (private sector) which offers compensation packages that are significantly more attractive.

In 2012 the Commission initiated a multi-year core process analysis initiative aimed at creating a framework for analysing all processes and developing recommendations for improvements. The project outputs – process documentation, analysis and many of the recommendations – are also serving as direct inputs into the work being done under the Commission's Business Transition Strategy, slated for completion in 2015.

Planned Actions

Remain focused on developing organizational capacity through learning and development, workforce planning and employee engagement strategies.

Ensure we are anticipating proposed LNG permitting activity timelines in relation and alignment with demographic data as reported in the Commission Workforce Plan and mitigate knowledge, skills, ability and competency gap risks proactively.

Anticipate the effects of external labour, demographic and industry trends so employees remain focused on service delivery.

Utilize accountability methods, such as the business planning process and individual performance management plans, to ensure employees' input and alignment of organizational strategy. This could include augmenting LNG workforce and labour skills shortage challenges through contracting or specialized consulting firms where fiscally responsible and feasible.

Further utilization of the new Fort St. John core lab facility and office building for improved storage and handling of core samples and employee work space.

Continue to streamline service delivery through the Business Transition Strategy aimed at core business system alignment with improved electronic submission, information management, and reporting.

Northeast B.C. natural gas play core sample

Regulatory Trends

Potential Influence

Major provincial initiatives with potential to influence new regulations and decisions anticipated during this fiscal year include:

- Cumulative Effects Assessment and Management Framework.
- Water Sustainability Act.
- Northeast Water Strategy.
- Natural Resource Road Act.
- Woodland Caribou Management.
- Amendment of the Petroleum and Natural Gas Act and regulations.
- Environmental mitigation and offsetting policy.
- Amendments to OGAA and its regulations.

Under OGAA, First Nations, landowners, and the general public can participate in decisions affecting them. These groups' interests, particularly with respect to protecting the environment, influence regulatory trends.

Planned Actions

The Commission actively participates in and provides regulatory and technical expertise to provincial initiatives affecting natural resource development.

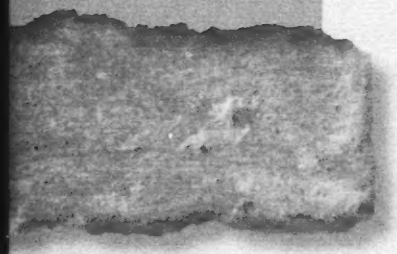
Through participation on provincial initiatives, the Commission identifies opportunities to strengthen its single-window approach in a manner consistent with OGAA.

Review any emerging trends or changes in the regulatory environment as opportunities to optimize the single-window approach through consultations, positive relations with regulatory partners, and effective regulations.

Continue to review and update processes and guidance documents linked to OGAA and its regulations and initiate amendments to the regulations where necessary.

Encourage feedback and participation from stakeholders, staff, clients, First Nations and citizens on oil and gas regulatory processes.

Continue to reduce natural gas flaring using innovative solutions, practices and emission reduction technologies designed to reach BC Energy Plan goals. Publish achieved reductions in the annual flaring, incinerating, and venting report available on www.bcogc.ca.



Northeast B.C. natural gas play core sample

DRIVER

First Nations

Potential Influence

The Commission consults with First Nations on proposed oil and gas activities on treaty lands and within their traditional territories in accordance with section 35 of the Constitution Act and established case law. Within Treaty 8, where upstream oil and gas development has traditionally occurred, the processes by which these consultations are conducted are typically defined through consultation process agreements between each First Nation and the Commission. The negotiation of these agreements is led by the Ministry of Aboriginal Relations and Reconciliation (MARR), with active participation by the Commission and the Ministry of Natural Gas Development.

Interface between oil and gas development and First Nations continues to increase as the mid- and downstream oil and gas sector develop. New drilling techniques for unconventional gas extraction and proposed new facilities and major projects have increased the need for consultation and proactively engaging First Nations throughout B.C.

Historically, the Commission has developed and maintained agreements with all of the Treaty 8 First Nations. Many of the emerging major projects are requiring consultation and proactive engagement with First Nations outside northeast B.C.

Planned Actions

Ensure the Crown's duty to consult with First Nations on oil and gas applications is met and actively support MARR in consultation process agreement negotiations and any other related agreements.

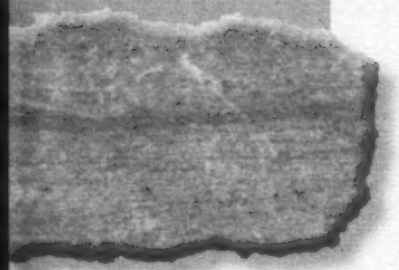
Continue to consult Treaty 8 First Nations on oil and gas applications and proactively engage for input and opportunities to participate in processes affecting them.

Broaden the Commission's interaction with First Nation communities outside northeastern B.C., specifically along potential pipeline routes and within the areas impacted by proposed major projects throughout B.C.

Through the period of this Service Plan, the Commission is consulting and developing working relationships with First Nations who may be unfamiliar with oil and gas activities and the role of the Commission.

Continue to seek opportunities for collaboration and build MOUs with partner agencies to take advantage of existing provincial relationships with the First Nation communities outside northeastern B.C. and to coordinate consultation occurring in the regulatory processes for major projects.

Develop mutual understanding between all parties of the Commission's role in regards to regulation of the natural gas and oil industry and consultation with First Nations.



Northeast B.C. natural gas play core sample

Strategic Objectives, Measures and Initiatives

The Commission's strategy management system is used to document and communicate accountability at all levels. Annually, management considers changes to the operating environment resulting from government and Board direction, industry input, First Nations interests expressed through the process of renegotiating consultation process agreements, and any economic drivers that influence the operations of the Commission. Those results are reviewed by management and brought forward to the Board of Directors for consideration and integration into organizational strategy.

The Mission, Vision and Values are central to the organizational strategy. In order to deliver on its Mission and mandate and move closer to achieving its Vision of becoming the leading oil and gas regulator in Canada, the Commission continues to pursue regulatory and operational excellence and to create value for British Columbians. The specific strategic objectives through which the Commission will achieve the above over the service plan period are:

- Optimize the Single-Window Regulatory Approach.
- Optimize Organizational Structure to Increase Efficiency and Effectiveness of Operations.
- Optimize Workforce.
- Enhance External and Internal Communication.
- Optimize the Commission's Expertise and Processes Pertaining to the Regulation of LNG Facilities and Associated Major Projects.

Specific initiatives under each objective move the Commission closer to attaining the intended results. Performance measures, with targets and benchmarks, provide feedback on the success of achieving the objectives and signal necessary adjustments to strategy.

Performance measures have been either selected from numerous indicators used to track and guide business activities or designed specifically to measure the intended results of the objectives. The Commission measures both outputs and outcomes where possible, and for reporting purposes, follows the eight reporting principles published by the Office of the Auditor General of British Columbia. Data used in performance tracking and measurement comes from a number of sources, including:

- Application and compliance statistics, mainly from the Commission's IRIS and KERMIT database systems.
- Engineering information related to oil and gas operations in B.C.
- Human resources information, including tracking of employee turnover and development, and workforce engagement surveys.

Organizational performance is measured and reported to the Board of Directors quarterly. Where possible, benchmark and baseline information is reviewed to provide context for the results achieved by the Commission. Detailed information related to the methodology of Commission performance measures is maintained and updated as necessary. The Commission continues to engage with external agencies as well as government ministries to improve the quality of data used to track and measure progress.

Strategic Objective #1

OPTIMIZE THE OIL AND GAS SINGLE-WINDOW APPROACH

DESCRIPTION

In a manner consistent with Section 4 of OGAA, this Objective supports a comprehensive single-window approach to regulating oil and gas development, while being mindful of the organizational capacity required to support the regulatory model. This approach requires the Commission to proactively anticipate and respond to changes in the regulatory environment, technology and North American and global markets in order to establish an efficient and effective single-window model that is consistent with promoting the Province's competitiveness as an oil and gas jurisdiction.

INTENDED RESULTS

a) The scope of authorizations over which the Commission has jurisdiction is optimized.
b) The transactions with government are limited to those necessary to effectively regulate oil and gas development.
c) The model is recognized by operational customers and stakeholders as effective and efficient, particularly with respect to issuance of permits and authorizations.
d) Interest by other jurisdictions is expressed in the single-window approach.
e) Commission's credibility rises with increasing expertise as a single-window regulator.

INITIATIVES

- Identify and recommend specific opportunities for optimizing the Commission's statutory decision making authorities under the single-window approach.

PERFORMANCE MEASURES	Actual 2012/13	Forecast 2013/14	Target 2014/15	Target 2015/16	Target 2016/17
To optimize the single-window approach the Commission makes changes to the scope of the regulatory framework to gain efficiencies and effectiveness by:					
Proactively seeking changes to the scope of the B.C. oil and gas regulatory framework? (Yes/No)	N/A	Yes	Yes	Yes	Yes
Reacting in a timely manner when changes are required to the scope of regulatory mandate? (Yes/No)	N/A	Yes	Yes	Yes	Yes

From each of the proactive and reactive perspectives the Commission identifies, analyzes and incorporates potential opportunities to modify the decision making process.

The Commission focuses attention on the direct legislative, designation, delegation and inter-agency agreements and by doing so, optimizes the single-window approach through expanding, discontinuing or streamlining statutory decision making authorities. Regulatory initiatives, whether determined by the Commission or Government, are acted on as expeditiously as possible, recognizing there are variables outside of the Commission's control that can affect the timelines. The ultimate value is a simple "yes" or "no" due to the fact the single-window model is very complex, with many independent factors as listed above.

Strategic Objective #2

OPTIMIZE ORGANIZATIONAL STRUCTURE TO INCREASE EFFICIENCY AND EFFECTIVENESS OF OPERATIONS

DESCRIPTION

The organizational structure supports the delivery of single-window regulatory services per the Commission's Mandate in Section 4 of OGAA. The building blocks of the structure are core processes and the corresponding knowledge and skills of staff to sustain those processes. This objective aims to identify opportunities for increasing efficiency and effectiveness of core processes and their enabling business systems. It will also look for opportunities for staff cross training to ensure clear understanding of the processes and to provide consistency and flexibility in managing current and expected workloads and demand for services.

INTENDED RESULTS

a) Internal processes and organizational structure aligned for optimal staff efficiencies and service delivery.

b) Risks to service levels and the quality of products/decisions are mitigated through workforce adjustments in times of high turnover, high demand or lower demand.

c) Core processes and outputs as established by mandate are clearly identified and supported by resources including skilled and competent staff.

d) Clients and stakeholders receive consistent products and services and have the information they need to access and navigate the processes.

e) Timely, efficient and effective processes and services are provided to oil and gas operators and stakeholders. Increased efficiency of review processes, with better informed and reconciled decisions.

f) Define and optimize processes pertaining to permitting and oversight of LNG facilities and associated major projects to provide fair and timely regulatory decisions.

g) Critical linkage between outcomes of processes analysis and change management initiatives undertaken by the organization.

DRILL COLLARS USED IN DRILLING PROCESS ~ NORTHEAST B.C.

Strategic Objective #2 continued

OPTIMIZE ORGANIZATIONAL STRUCTURE TO INCREASE EFFICIENCY AND EFFECTIVENESS OF OPERATIONS

INITIATIVES

- Core Process Analysis: define and document the inventory of core processes, assess the processes against pre-established criteria and identify recommendations for optimizing processes for a more efficient and effective delivery on the Commission's mission and mandate.
- Business Transition Strategy: core business system alignment to improve electronic submission, information management, and reporting to heighten the ability to electronically collect, analyze, store and report on a multitude of data streams managed under the mandate.
- Optimize Organizational Structure: ensure synergies between the outcomes of and improvements made from the core process analysis and business transition strategy and the organizational structure.

PERFORMANCE MEASURES	Actual 2012/13	Forecast 2013/14	Target 2014/15	Target 2015/16	Target 2016/17
Calendar days to process new well applications	17	24	21	21	21
Baseline: 33 (2001/02) Benchmark: 30 days (Colorado Oil and Gas Conservation Commission Strategic Plan)					

The measure relates to timeliness of processing new well applications and represents the average number of calendar days to process new well applications. The 21 day target beginning in 2014/15 reflects the anticipated increase and complexity of applications going forward. The benchmark is a similar measure from the Colorado State oil and gas regulator.

It is important to note the Commission's responsibility for completing the consultation process with First Nations is unique and as such, meaningful comparisons to other benchmarks can be problematic.

WINTER LANDSCAPE - NORTHEAST B.C.

Strategic Objective #3

OPTIMIZE WORKFORCE

DESCRIPTION

Anticipating labour, demographic and industry trends through a robust review of the regulatory framework and organizational structure allows for the development of current and future employees knowledge and skills. To optimize formal workforce planning the Commission must ensure ongoing analysis of the internal workforce is combined with an analysis of the complexities of external economic factors contributing to labour skills shortages in the oil and gas industry and in turn the Commission. Identifying risk mitigating strategies whereby alternative methods, such as utilizing local and global consulting firms, will form a part of the Commission's strategy to mitigate future workforce knowledge and skills gaps.

INTENDED RESULTS

a) Employees are in the right job, with the right skills and abilities and understand their development potential to deliver on the Commission mandate.
b) Value-driven, high achieving culture.
c) As an employer of choice, there is an enhanced ability to attract the right people.
d) Managed employee turnover.
e) Labour, sector and demographic trends are anticipated and responded to.

INITIATIVES

- Implementation of the 2012 completed workforce plan (WFP) continues through this planning period to ensure methodical change management practices are in place to support ongoing workforce optimization efforts.

PERFORMANCE MEASURES	Actual	Forecast	Target	Target	Target
Voluntary turnover rate	2012/13	2013/14	2014/15	2015/16	2016/17
Baseline: 9.1% Benchmark: 10.6% (Alberta Energy Regulator)	12%	14%	12%	12%	12%

PERFORMANCE MEASURES	Actual	Forecast	Target	Target	Target
Employee Engagement Level per Work Engagement Survey (WES)	2012/13	2013/14	2014/15	2015/16	2016/17
Baseline: 69 (2008/09) Benchmark: 65 (BC Public Service 2011)	73	73	73	74	74

The two employee-focused measures monitor different perspectives of the concerted efforts of management, with ongoing feedback from employees, to create a healthy, productive and engaged workforce. This includes promoting the understanding and distribution of workforce demand and supply statistics, thorough analysis of Work Engagement Survey (WES) results, and the resulting development of workforce programs aligned with corporate strategy. Through the implementation of the workforce plan over the planning period the Commission intends to see a leveling of the voluntary turnover rate and a slight increase in employees' engagement level.

Strategic Objective #4

ENHANCE EXTERNAL AND INTERNAL COMMUNICATION

DESCRIPTION

The Commission regulates on behalf of British Columbians and part of its mandate as defined in legislation is to "undertake programs of education and communication" to ensure people understand the regulatory environment the industry operates under. Developing two-way communication with the general public and those we interact with is critical, both externally and internally.

Employees represent the Commission and the province in the communication process, and leaders from all levels in the organization have a clear understanding of how to communicate both to staff and clients. Ensuring employees understand the internal communication channels and align their actions with the strategic objectives of the organization is critical. This includes making accurate information and data analysis related to operations, people, financial resources, and key performance measures consistently available through regular reports (some automated) that are accessible and relevant to the intended audiences.

INTENDED RESULTS

a) The Commission is recognized as a competent, credible and trusted regulator.
b) The Commission's role, mandate and expertise are understood by the general public and those we interact with.
c) Employees clearly understand more about their roles, their co-workers' roles and their linkages to the Commission mandate, core business and strategic vision.
d) All employees have relevant and reliable information readily available to be efficient, productive and responsive.
e) All employees in the Commission agree that the geographic location is immaterial to their ability to work as a team.

PERFORMANCE MEASURES	Actual	Forecast	Target	Target	Target
Number of Peer Reviewed Reports Published in National or International Journals	2012/13	2013/14	2014/15	2015/16	2016/17
Baseline: Commission 2012/13 Result Benchmark: TBD	1	2	2	2	2

PERFORMANCE MEASURES	Actual	Forecast	Target	Target	Target
Work Engagement Survey (WES) Result for Vision, Mission and Goals	2012/13	2013/14	2014/15	2015/16	2016/17
Baseline: 63, 2009 Commission Result Benchmark: 60 (BC Public Service 2011/12)	76	76	76	77	77

THE COMMISSION'S DAWSON CREEK RESOURCE CENTRE

Strategic Objective #4 continued

ENHANCE EXTERNAL AND INTERNAL COMMUNICATION

INITIATIVES

- Document the story of oil and gas development, tracing its history and early beginnings, to current practices and potential future scenarios. Utilizing various communication channels and tools, and leveraging the work of other ministries and agencies, this information will be used to increase the knowledge of oil and gas development and what can be expected if various projections are realized and how those scenarios may affect communities and the environment.

The Commission measures performance of communications efforts both externally and internally. To assist in ensuring the role and mandate of the Commission are understood by the B.C. public, the Commission seeks out opportunities to involve qualified individuals or institutions to maintain standards, improve performance and provide credibility through academic review and critique. The Commission continues to seek opportunities for collaboration and strives to increase the number of published reports through the planning period.

When employees feel connected to the mission, vision and goals of the organization their commitment and satisfaction with their work, and workplace, increases. This measure indicates a clear, compelling and consistent view of the present and future is communicated to staff. Over the past two years the Commission has seen a significant gain in this area and expects employee engagement to continue at the level achieved.

Strategic Objective #5

OPTIMIZE THE COMMISSION'S EXPERTISE AND PROCESSES PERTAINING TO THE REGULATION OF LNG FACILITIES AND ASSOCIATED MAJOR PROJECTS

DESCRIPTION

The Commission's knowledge and experience as the established and respected regulatory authority for oil and gas activities within B.C. is applied to the regulatory lifecycle of LNG facilities and associated major infrastructure projects. Commission knowledge, processes and activities are coordinated with other ministries and partner agencies, ensuring the comprehensive review and efficient processing of regulatory applications and the effective utilization of resources to assure public safety and environmental protection.

INTENDED RESULTS

- Oversight of the design, construction, operation and maintenance of LNG facilities and associated major projects to ensure compliance with legislative requirements for public safety and environmental protection.
- Extend the Commission's education and outreach program throughout the province to ensure those affected by oil and gas activities understand opportunities to participate in regulatory processes.
- Coordinate efforts with ministries and partner agencies to ensure the approach is aligned and upholds all applicable legislation and regulations.
- Establish an acknowledged presence in the regulatory oversight of LNG facilities and major projects in the locations in which they are situated.
- Develop recognized professional and technical expertise in the regulation of LNG facilities and associated major projects.
- Proactively engage First Nations who may be affected by LNG facilities and associated major projects.

Strategic Objective #5 continued

OPTIMIZE THE COMMISSION'S EXPERTISE AND PROCESSES PERTAINING TO THE REGULATION OF LNG FACILITIES AND ASSOCIATED MAJOR PROJECTS

INITIATIVES

- Review regulatory requirements for LNG facilities and pipelines from other jurisdictions and look for opportunities to strengthen the single-window model and proactively engage with First Nations, rights holders and other stakeholders who may be affected by proposed major projects.

The measures under this objective indicate participation of stakeholders and First Nations in activities pertaining to LNG and associated major projects with the intent of appraising Commission service levels in the new geographic areas of industry activity.

Proactively addressing quality of life issues raised by various stakeholder groups will build relationships and increase familiarity with the role of the Commission as the regulator of oil and gas activities throughout the province. The Commission considers success of its dispute facilitation efforts when all, or the majority of issues, brought forward that relate to its regulatory jurisdiction are addressed.

Respecting oral tradition as a cultural value of British Columbian First Nations, the Commission is resolved to pursue opportunities to meet with First Nations to engage in consultations where their traditional territories may be affected by proposed LNG and major projects. Still in its infancy, this performance measure has begun tracking how many meetings the Commission currently attends. Based on this data, First Nation engagement requirements and capacity levels, the targets will be adjusted to meet the needs for all parties.

PERFORMANCE MEASURES	Actual	Forecast	Target	Target	Target
Number of LNG Related Stakeholder Interests Successfully Addressed with LNG Facilities and Associated Major Projects	2012/13	2013/14	2014/15	2015/16	2016/17
Baseline: 65% Benchmark: TBD	65%	75%	75%	75%	75%

PERFORMANCE MEASURES	Actual	Forecast	Target	Target	Target
Number of LNG Related First Nation Meetings Attended in Person by the Commission	2012/13	2013/14	2014/15	2015/16	2016/17
Baseline: TBD Benchmark: TBD	N/A	36	36	36	36

MOUNTAIN VIEW ~ NORTHEAST B.C.

Financial Outlook

Presented here are the Commission's preliminary results for the fiscal year ending March 31, 2014 with comparative revenues, expenses and capital spending over the Service Plan years 2014/15 to 2016/17. Key assumptions influencing the financial position of the Commission are shown and are in line with risks, uncertainties and operational influences discussed within the Strategic Context section of this plan.

The Commission revenue is determined by fees collected on oil and gas activity applications and by levies charged on production and pipelines. Fee revenues fluctuate with industry activity levels, which in turn are influenced by a combination of factors, such as demand trends, weather conditions, natural gas and oil prices and regulatory requirements. To reduce dependency on the more volatile fee revenues, the Commission's funding model is more heavily weighted towards production levies payable on a monthly basis. This model, and the ability to adjust production levies if necessary, ensures the Commission can remain financially self-sufficient and maintain adequate capacity to oversee the growing oil and gas infrastructure in the province, even during times of activity decline.

WINTER TERRAIN – NORTHWEST B.C.

A new revenue stream was added in Feb. 2014 – various fees for assessing applications for LNG facilities and associated major pipeline projects. The fee structure attempts to address the timing difference between receiving LNG-related revenues and incurring expenses for staff training and additional professional expertise required in order that the Commission possesses adequate capacity and resources to appropriately review and process applications submitted for LNG facilities and associated major projects.

The revenues from levies on production include the tax on production to fund the OSRF administered by the Commission. The OSRF is considered as part of the Commission entity for financial reporting purposes although the OSRF funds are restricted in use to reclamation of orphaned sites.

The Commission's financial position at March 31, 2014 and the financial outlook for the three years of this plan are based on a forecast of the number of well applications and as well as marketable gas production levels. For fiscal 2013/14, Commission and OSRF operations are anticipated to result in a $1.2 million surplus. This figure is subject

to some variability as previously recognized Orphan Site liabilities are reassessed in the process of remediation, however the Commission will continue to manage expenses within the forecast revenues.

Budget projections for 2014/15 anticipate fees from oil and gas applications at $14.7 million, levies on production at $27.2 million, and pipeline levies at $2.3 million. This reflects a steady volume of oil and gas activities applications and the revised forecast for well applications and marketable gas production shown in the Key Assumptions table. The Commission reviewed and revised various application fees in 2013/14 to better reflect the cost of certain aspects of regulation and will annually review levy rates to ensure that capacity to regulate is properly resourced in combination with appropriate expenditure management.

Financial Outlook $000s	2012/13 Actual	2013/14 Budget	2013/14 Preliminary Actuals	2014/15 Budget	2015/16 Forecast	2016/17 Forecast
Revenues						
Production Levies (incl. OSRF)	26,838	29,346	28,690	27,241	28,546	32,976
Pipeline Levies	2,160	2,281	2,283	2,351	2,422	2,495
Fees from Oil and Gas Applications	9,806	10,828	11,846	14,729	15,997	17,222
LNG and Major Pipeline Revenue				5,000	3,500	600
Miscellaneous and Recoveries	822	838	743	800	824	849
Total Revenue	**39,626**	**43,293**	**43,562**	**50,121**	**51,289**	**54,142**
Expenses						
Salaries and Benefits	20,039	22,019	20,816	23,350	25,218	26,479
Operating and First Nations Expenses	17,340	20,173	20,781	25,121	24,657	26,142
Orphan Sites Reclamation Fund (OSRF)	4,825	1,000	800	1,000	1,000	1,000
Total Expenses (incl. amortization)	**42,204**	**43,192**	**42,397**	**49,471**	**50,875**	**53,621**
Annual Surplus (deficit)	**(2,578)**	**101**	**1,165**	**650**	**414**	**521**
Capital Expenditures	**2,300**	**4,551**	**6,917**	**4,586**	**4,230**	**2,646**

The activity level forecast for the planning period is conservative. If proposed LNG projects proceed, a significant upswing in activity can be expected. The Commission's planning cycle includes a Board budget review at the start of each fiscal year.

Concerted efforts are made to avoid a deficit in any year and ensure a balanced budget and sufficient cash flow for capital projects. Employee salaries and benefits constitute the largest expense. The Commission's employees come from a wide range of technical and professional backgrounds and are dispersed in different geographic areas. The salary and benefits structure for unionized employees is governed by collective agreements with the Professional Employees Association (PEA) and the B.C. Government and Service Employees' Union (BCGEU). Bargaining for a new collective agreement with the BCGEU and PEA will begin in 2014/15.

Salaries and Benefits expense in 2014/15 is expected to be $23 million. This projection assumes increasing recruitment costs for vacancies and retention of existing employees as the Commission competes for the same technical skills and geographic distribution with one of the most advanced and well-paying industries. The projected Salary and Benefits expense also anticipates adding new resources required to provide critical regulatory oversight to LNG and associated major projects outside of northeastern B.C.

Operating expenses related to First Nations agreements involving capacity funding are somewhat variable and based upon application activity levels. Other operating expenses consist of professional services, employee training and development, travel, building occupancy, telecommunications, amortization and miscellaneous, and are tightly managed.

Under OGAA regulations, determinations made by the Commission can be subjected to a review by an official from the Commission or to an appeal before an Independent Appeal Tribunal. Any staff and professional services costs associated with reviews are expected to be absorbed by the budgeted amounts for salaries and professional services.

Accumulated annual surpluses are used to fund investment in tangible capital assets, which during 2014/15 is projected to be $4.6 million. The greater portion of the capital expenditures will go towards the development of a new information technology system aimed at consolidating all business applications to a new platform and transitioning to electronic collection, analysis and reporting of operational data. The development of the Business Transition Strategy has been accelerated in order to include necessary changes to accommodate and be available for the permitting of LNG facilities and associated major projects. The overall capital spending remains the same, however due to the accelerated project timing, capital spending distribution over the years of the Service Plan period has been adjusted accordingly.

The Commission's three year financial outlook presented is consistent with the financial information in the government's fiscal plan and is based on the key assumptions. The Commission has no major capital plans in excess of $50 million as defined by the Budget Transparency and Accountability Act.

Cash flow required to fund capital will be provided by operating surpluses. The Commission has zero debt and will not incur any during 2014/15.

Cash balances at the year-end 2013/14 are projected to be $11.0 million. Cash held by the OSRF, which is designated for orphan sites reclamation activities, will likely decrease to $5.5 million by March 31, 2014. As a result of implementing the Liability Management Rating program, the Commission holds $18.0 million in cash and $13.3 million in Letters of Credit as security deposits from permit holders against potential liability with respect to site specific reclamation and abandonment. The total security deposit is projected to grow to $33.0 million over 2014/15.

The Commission continues to take government direction through the Ministry of Natural Gas Development. No major organizational changes are expected over the period of this Service Plan.

Key Assumptions for 2014/15 – 2016/17 Service Plan
New well applications are forecast at 950, 1,000, 1,100, and 1,200 annually starting in 2013/14.
Gas volumes* are 38.7 x 10^9 m^3, 41.8 x 10^9 m^3 , 47.0 x 10^9 m^3 and 53.8 x 10^9 m^3 starting in 2013/14.
Oil volumes are 1.1 x 10^6 m^3, 1.2 x 10^6 m^3 , 1.1 x 10^6 m^3 , and 1.1 x 10^6 m^3 starting in 2013/14.
Salaries and benefits projections reflect cost containment measures and are subject to labour negotiations.
Inflation is estimated at three per cent per annum.
$1,000,000 is planned for site reclamation in 2014/15 under the Orphan Sites Reclamation Fund.
The Commission has made estimates with respect to consultation process agreements.

*From forecasts provided by Ministry of Finance, October 2013.

OTHER INFORMATION REQUIRED BY SHAREHOLDER

CONFIDENTIALITY

This report is complete and contains no confidential information.

REPORT ON SUBSIDIARIES AND BUSINESS SEGMENTS

The Commission has no subsidiaries. The Orphan Site Reclamation Fund is not a subsidiary, but is consolidated for financial statements purposes.

CONTACT INFORMATION

For general information about the BC Oil and Gas Commission, please contact:

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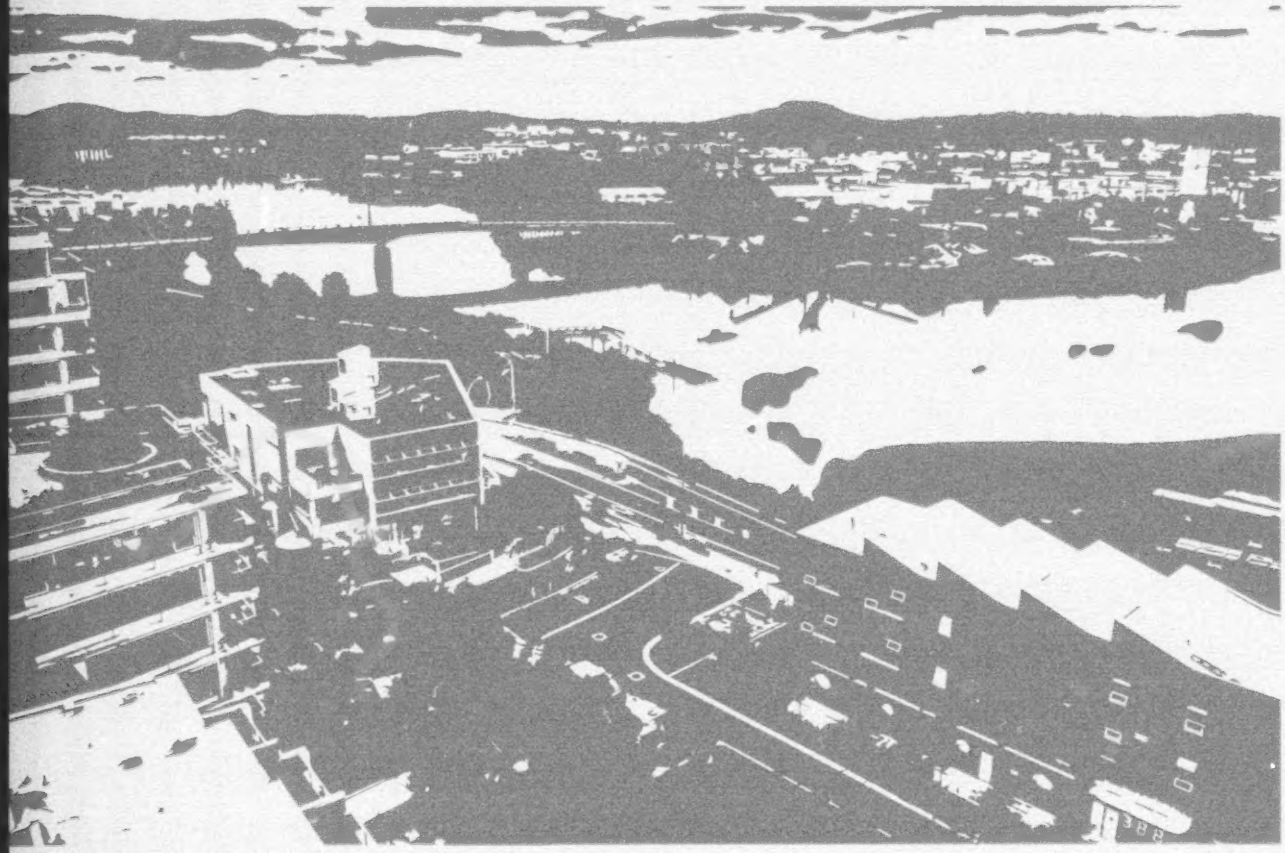

Photography

Cover	Northeast B.C. Core Sample
pg 3 & 30	Victoria Commission Offices Source: Doug McLean
pg 6	Peace River Source: Maria Reschke
pg 19	Bowron Lakes Source: Kayla Burke
pg 21	Pipes Source: Commission Employee
pg 22	Fort St. John Winter Source: Unknown
pg 24	Dawson Creek Resource Centre Source: W3Design
pg 26	Helicopter Source: Commission Employee
pg 27	Terrace, B.C. Source: Dan Hanson